

TOWN OF BETHANY BEACH, DELAWARE

FINANCIAL REPORT

MARCH 31, 2015

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## INDEPENDENT AUDITORS' REPORT

Town of Bethany Beach, Delaware  
Bethany Beach, Delaware

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bethany Beach, Delaware (the "Town") as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of March 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The additional supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bethany Beach, Delaware's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YSM Group LLC". The signature is written in a cursive, stylized font.

Salisbury, Maryland  
July 21, 2015

**Town of Bethany Beach  
Management's Discussion and Analysis  
March 31, 2015**

As management of the Town of Bethany Beach, Delaware (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ending March 31, 2015. We encourage readers to consider this information in conjunction with the additional information that we have furnished in the Town's financial statements that follow this section.

**Financial Highlights for Fiscal Year 2015**

The assets of the Town of Bethany Beach exceed its liabilities at the end of fiscal year 2015 by \$24,733,837 (net position). Of this amount, \$8,569,733 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. \$15,622,990 of the remaining net position is invested in capital assets, net of related debt and \$541,114 is restricted for specific uses. The Town's total net position increased by \$1,264,249 (5.3%) during fiscal year 2015. The net position of governmental activities increased by \$901,195 (5.6%) while net assets of business-type activities increased by \$363,054 (4.8%).

The increase in net position is a direct result of Town Council and Budget and Finance Committee efforts to provide adequate funding for the financial needs of the Town for the next five to ten years. This long-term focus and the maintenance of sufficient reserves has proven very beneficial to the Town, as shown by how well the Town weathered the recent nationwide recession.

As of the close of fiscal year 2015, the Town's governmental funds reported an ending fund balance of \$6,440,037. Of this amount, \$93,117 is nonspendable prepaid balances. In the General Fund, restricted funds include \$51,502 in post-employment benefits, \$63,094 in Cultural & Historic funds, and \$41,091 in Fourth of July Parade Funds. Committed funds are \$972,000 for capital purchases in fiscal year 2016, and \$4,782,000 for future capital projects.

This leaves \$437,152 as unassigned in the general fund at the end of fiscal year 2015. The unassigned fund balance for the general fund represents 8.3% of the general fund operating expenditure budget for fiscal year 2016 of \$5,252,000.

The Town's bonds and notes payable increased by \$163,036 (7.7%), from adding \$505,578 to the water tower project loan while paying off all other debt. Of the Town's \$2,292,685 loan from the State of Delaware for water tower construction, \$459,671 (20.0%) is due within the next five years.

Overall, the Town is in good financial condition and has the policies and focus to stay in sound fiscal shape.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business. The statements provide both short-term and long-term information, which assists in assessing the Town's financial position.

The statement of net position presents information on all of the Town's assets and liabilities with the difference reported as net position. Increases or decreases in net position over time may serve as an indicator of whether the Town's financial position is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during this fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the above financial statements have separate sections for two different types of programs or activities. These two types of activities are:

**Governmental Activities** – The activities in this section are mostly supported by taxes, fees, parking revenue and grants from Federal, State and other sources. Most services normally associated with municipal government fall into this category, including general government, public safety, street maintenance, economic development and recreational activities.

**Business-Type Activities** – These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The business-type activities of the Town are the water and sanitation departments, which operate with minimal assistance from the governmental activities of the Town.

The government-wide financial statements can be found on pages 21-22 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – Most of the basic services provided by the Town are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

These statements provide a detailed short-term view of the Town's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Town. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town has four governmental funds: the General Fund, the Capital Projects Fund, the Special Revenue Fund and the Ambulance Fund. The Special Revenue Fund is used to account for State and Federal grants. Fees collected for ambulance services are used only to pay the charges of the Bethany Beach Volunteer Fire Company.

The basic governmental fund financial statements can be found on pages 23-26 of this report.

**Proprietary funds** – These funds are used to show activities that operate more like those of commercial enterprises. Because these funds charge fees for services provided to outside customers they are also known as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There is no reconciliation needed between the government-wide financial statements for business-type activities and the proprietary fund financial statements. The Town has two proprietary funds, the water and sanitation departments.

The basic proprietary fund financial statements can be found on pages 27–29 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Specifically, Note 2 summarizes the Town's significant accounting policies and provides definitions for many of the terms used throughout this report.

The notes to the financial statements can be found on pages 30–46 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, the Town's net position may serve, over time, as a useful indicator of the government's financial situation. The Town's combined net position (government and business-type activities) totaled \$24,733,837 at the end of fiscal year 2015, compared to \$23,469,588 at the end of fiscal year 2014, an increase of \$1,264,249 (5.3%).

The largest portion of the Town's net position, \$15,622,990 (62.4%) reflects its investment in capital assets such as land, buildings, equipment and infrastructure, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

On March 31, 2015, the Town held \$1,308,897 in cash and cash equivalents and \$7,035,638 in investments. The investments were entirely certificates of deposit. The Town follows a written Investment Policy, which is reviewed annually. The primary objective of Town investments in priority order are safety, liquidity and then return on investment. The Town seeks investments that are diverse by type, institution and maturity date. All investments must be FDIC insured or collateralized. Authorized investments include United States government securities, certificates of deposit, money market accounts in commercial banks and commercial bank savings accounts. Currently, all certificates of deposit held by the Town are for amounts under the FDIC limit of \$250,000 per institution to provide greater security of funds while improving interest earnings. Further information on cash and investments can be found on page 38, note 4.

The Town uses a written Fund Balance Policy to establish recommendations for minimum and maximum levels of reserves held for operating and capital needs. This policy is intended to increase the long-term financial stability of the Town while decreasing the need for long-term borrowing. All of the Town's funds continue to hold reserves above the minimums recommended in the policy, a good indicator of the Town's financial strength.

The Fund Balance Policy recommends maintaining an Operating Reserve of 15% to 30% of budgeted operating costs. In the budget for the current fiscal year 2016, operating reserves are \$788,000 in the general fund, \$113,000 in the sanitation fund and \$152,000 in the water fund. Total town-wide operating reserves are \$1,053,000, which is 15% of the FY 2016 operating budget.



The policy's recommendations for the amount of funds committed for capital replacement are based on the cost and useful lives of assets currently in use by the Town. For fiscal year 2016, capital replacement fund balances committed are \$4,782,000 in the general fund, \$759,000 in the sanitation fund and \$856,000 in the water fund. Total town-wide capital reserves are \$6,397,000, which is 41% of the Town's net investment in capital assets.

The Town has agreed to pay the cost of post-employment health care insurance for three retirees and their families. The Town has elected to amortize the liability over ten years, beginning in fiscal year 2011. As of March 31, 2015, \$233,963 was held in a separate bank account to fund this benefit, which is 49.5% of the \$473,000 actuarial accrued liability. Further information on this obligation can be found on page 42, note 8.

The following table is a summary of the government-wide statement of net position compared to the prior year:

Town of Bethany Beach  
Summary of Statement of Net Position  
March 31, 2015

	Governmental Activities		Business-Type Activities		Total		%
	2014	2015	2014	2015	2014	2015	Change
Current Assets	5,613,708	6,539,059	3,328,658	3,002,811	8,942,366	9,541,870	6.7%
Capital Assets	10,584,971	10,567,846	6,793,948	7,347,829	17,378,919	17,915,675	3.1%
Other Assets	219,195	322,637	187,004	218,477	406,199	541,114	33.2%
Total Assets	<u>16,417,874</u>	<u>17,429,542</u>	<u>10,309,610</u>	<u>10,569,117</u>	<u>26,727,484</u>	<u>27,998,659</u>	4.8%
Long-Term Liabilities	159,855	158,384	1,806,190	2,293,598	1,966,045	2,451,982	24.7%
Other Liabilities	353,249	465,193	938,602	347,647	1,291,851	812,840	-37.1%
Total Liabilities	<u>513,104</u>	<u>623,577</u>	<u>2,744,792</u>	<u>2,641,245</u>	<u>3,257,896</u>	<u>3,264,822</u>	0.2%
Invested in capital assets, net of related debt	10,584,971	10,567,846	4,753,707	5,055,144	15,338,678	15,622,990	1.9%
Restricted	219,195	322,637	173,870	218,477	393,065	541,114	37.7%
Unrestricted	5,100,604	5,915,482	2,637,241	2,654,251	7,737,845	8,569,733	10.8%
Total Net Assets	<u>15,904,770</u>	<u>16,805,965</u>	<u>7,564,818</u>	<u>7,927,872</u>	<u>23,469,588</u>	<u>24,733,837</u>	5.4%

Funds in the Town's unrestricted net position of \$8,569,733, may be used to meet the government's ongoing obligations to citizens and creditors. Unrestricted net position increased \$831,888 (10.8%) during fiscal year 2015 while the amount invested in capital assets, net of related debt, increased \$284,312 (1.9%). This shows that the Town continues to invest in capital projects while adding to reserves for future needs.

Current assets in total increased \$599,504 (6.7%). The current assets for Governmental Activities increased \$925,351 (16.5%), while current assets of Business-Type Activities decreased \$325,847 (9.8%). The majority of the \$9,541,870 in total current assets is cash, cash equivalents and investments, most of which are held in reserves for future needs.

Receivables, which make up \$1,067,024 of the current assets, increased \$123,028 (13.0%). The largest single receivable is \$593,298 due to the Town for the remaining three years of a four-year payment plan for the building permit and water impact fee of the Bethany Beach Ocean Suites construction project. The second largest receivables is \$407,947 in water bills mailed in April 2015 for the previous six months of water use.

Capital Assets held by the Town increased \$536,756 (3.1%) to \$17,915,675 in fiscal year 2015 from capital projects and purchases. The increase is mainly due to the water tower and related capital projects in the water fund. Long-term liabilities increased \$485,937 (24.7%) from adding to the water tower construction. Other liabilities decreased \$479,011 (37.1%) as invoices for construction of the water tower were paid and all other debt was paid off.

Restricted assets are the majority of other assets, which increased \$134,915 (33.2%). In governmental activities this includes funds set aside for post-employment health care, grant funding received in advance of grant spending and funds set aside for the Cultural & Historic Affairs Committee, the Fourth of July Parade and ambulance services. In business-type activities, the restricted category includes funds for post-employment health care, water impact fees collected for capital projects and sinking fund fees collected for debt service. The main cause of the increase is Municipal Street Aid grant funds currently being held for a large paving project planned in fiscal year 2016.

The following table is a summary of the government-wide statement of activities compared to the prior year:

<p style="text-align: center;">Town of Bethany Beach Summary of Statement of Activities March 31, 2015</p>							
	Governmental Activities		Business-Type Activities		Total		%
	2014	2015	2014	2015	2014	2015	Change
Revenues:							
Program Revenues							
Charges for services	2,543,386	3,083,884	1,880,739	1,899,023	4,424,125	4,982,907	12.6%
Assessments & impact fees			394,413	524,741	394,413	524,741	33.0%
Operating grants	81,604	94,980	17,325	-	98,929	94,980	-4.0%
Capital grants	186,550	36,080	12,485	-	199,035	36,080	-81.9%
General Revenues							
Property taxes	1,684,712	1,745,806	-	-	1,684,712	1,745,806	3.6%
Rental real estate taxes	1,045,656	1,044,036	-	-	1,045,656	1,044,036	-0.2%
Transfer taxes	760,558	822,846	-	-	760,558	822,846	8.2%
Other	70,090	79,645	12,967	12,212	83,057	91,857	10.6%
Total Revenues	<u>6,372,556</u>	<u>6,907,277</u>	<u>2,317,929</u>	<u>2,435,976</u>	<u>8,690,485</u>	<u>9,343,253</u>	7.5%
Expenses:							
General and administration	1,011,372	982,884	-	-	1,011,372	982,884	-2.8%
Licenses and inspections	207,841	230,218	-	-	207,841	230,218	10.8%
Public Safety							
Police and Alderman	1,503,617	1,528,375	-	-	1,503,617	1,528,375	1.6%
Parking	384,085	492,645	-	-	384,085	492,645	28.3%
Beach Patrol	443,174	517,196	-	-	443,174	517,196	16.7%
Ambulance	129,864	149,195	-	-	129,864	149,195	14.9%
Public Works							
Stormwater management	228,934	217,666	-	-	228,934	217,666	-4.9%
Streets & Parks	1,058,408	1,150,510	-	-	1,058,408	1,150,510	8.7%
Beach and boardwalk	335,641	430,234	-	-	335,641	430,234	28.2%
Recreation - entertainment	222,009	264,844	-	-	222,009	264,844	19.3%
Cultural/Historic & Parade	47,277	42,315	-	-	47,277	42,315	-10.5%
Sanitation Fund			804,247	798,512	804,247	798,512	-0.7%
Water Fund			1,103,753	1,274,410	1,103,753	1,274,410	15.5%
Total Expenses	<u>5,572,222</u>	<u>6,006,082</u>	<u>1,908,000</u>	<u>2,072,922</u>	<u>7,480,222</u>	<u>8,079,004</u>	8.0%
Change in net position	<u>800,334</u>	<u>901,195</u>	<u>409,929</u>	<u>363,054</u>	<u>1,210,263</u>	<u>1,264,249</u>	4.5%
net position, beginning of year	<u>15,104,436</u>	<u>15,904,770</u>	<u>7,154,889</u>	<u>7,564,818</u>	<u>22,259,325</u>	<u>23,469,588</u>	5.4%
net position, end of year	<u>15,904,770</u>	<u>16,805,965</u>	<u>7,564,818</u>	<u>7,927,872</u>	<u>23,469,588</u>	<u>24,733,837</u>	5.4%

The Town's total net position increased \$1,264,249 (5.4%). Approximately 38.7% of the Town's total revenue came from three types of taxes: property, rental and transfer. Total revenues increased \$652,768 (7.5%), while total expenses increased \$598,782 (8.0%).

Town-wide, total grant funding for this fiscal year was \$166,904 (56.0%) lower than the prior year. In Governmental Activities the use of grant funds decreased \$137,094 mainly from funds being held for use during fiscal year 2016.

## Governmental Activities

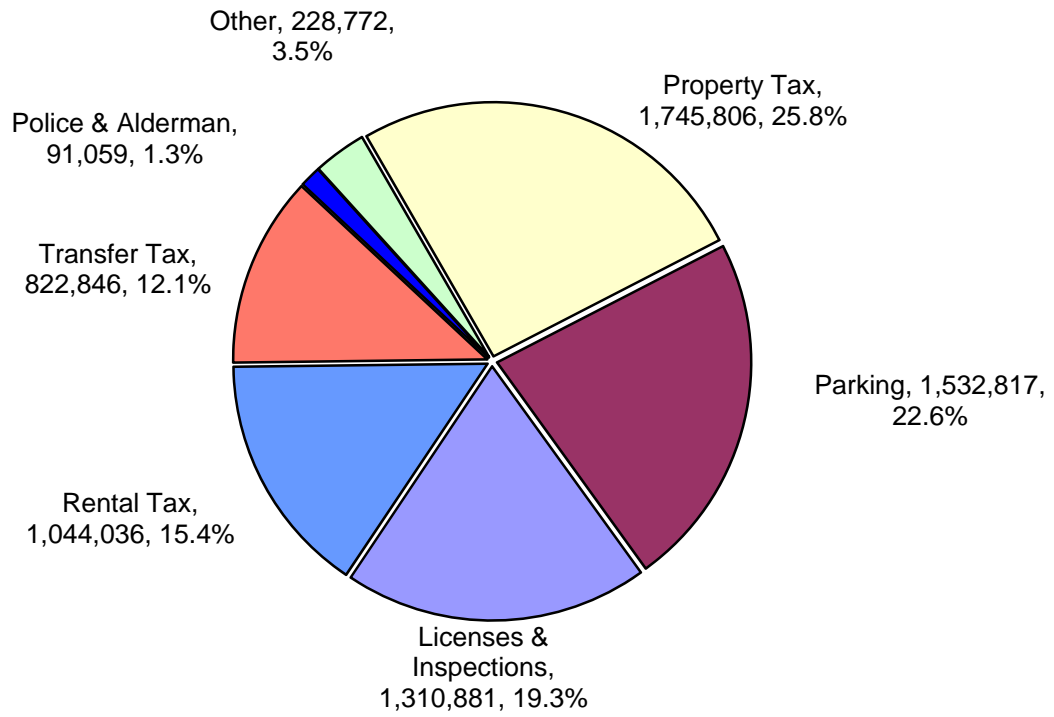
Total revenue for government activities increased \$534,721 (8.4%) to \$6,907,277. The major revenue sources and key factors are as follows. Grant revenue is not included due to the variable nature of State and Federal grants.

1. Property Tax revenue totaled \$1,745,806 and was the Town's largest single source of funding. The assessed value of taxable properties as of May 2014 was \$991,052,005, which is 5,137,600 (0.5%) more than the prior year. The tax rate increased 3% from \$0.17 to \$0.175 per \$100 of assessed value, effective in May of 2014. The most recent town-wide reassessment was completed in 2001. Total property tax revenue increased \$61,094 (3.6%). As a percentage of total governmental revenue, property tax decreased from 27.6% in fiscal year 2014 to 25.8% in fiscal year 2015.
2. Revenues from parking fines, parking meters and parking permits totaled \$1,532,817 and were the Town's second largest revenue source. These revenues increased \$81,355 (5.6%). As a percentage of governmental revenue, parking decreased slightly from 23.8% in fiscal year 2014 to 22.6% in fiscal year 2015.
3. Licenses, permits and other fees were the third largest revenue source at \$1,310,881. These revenues increased \$461,890 (54.4%). The main cause of this increase was a single building permit, for construction of Bethany Beach Ocean Suites. Other revenues in this category include business licenses, rental licenses, franchise fees, concession fees, shuttle bus fees and trolley fees. As a percentage of governmental revenue, licenses, permits and other fees increased from 13.9% in fiscal year 2014 to 19.3% in fiscal year 2015.
4. Real estate rental taxes were the Town's fourth largest revenue source at \$1,044,036. These revenues decreased \$1,620 (0.2%). As a percentage of total governmental revenue, rental taxes decreased slightly from 17.1% in fiscal year 2014 to 15.4% in fiscal year 2015.
5. Real estate transfer taxes were the Town's fifth largest revenue source at \$822,846. These revenues increased \$62,288 (8.2%). The Town uses transfer tax revenue only for funding capital projects and not for day-to-day operational costs. As a percentage of governmental revenue, transfer taxes decreased from 12.5% in fiscal year 2014 to 12.1% in fiscal year 2015.
6. All other revenue combined increased \$6,805.

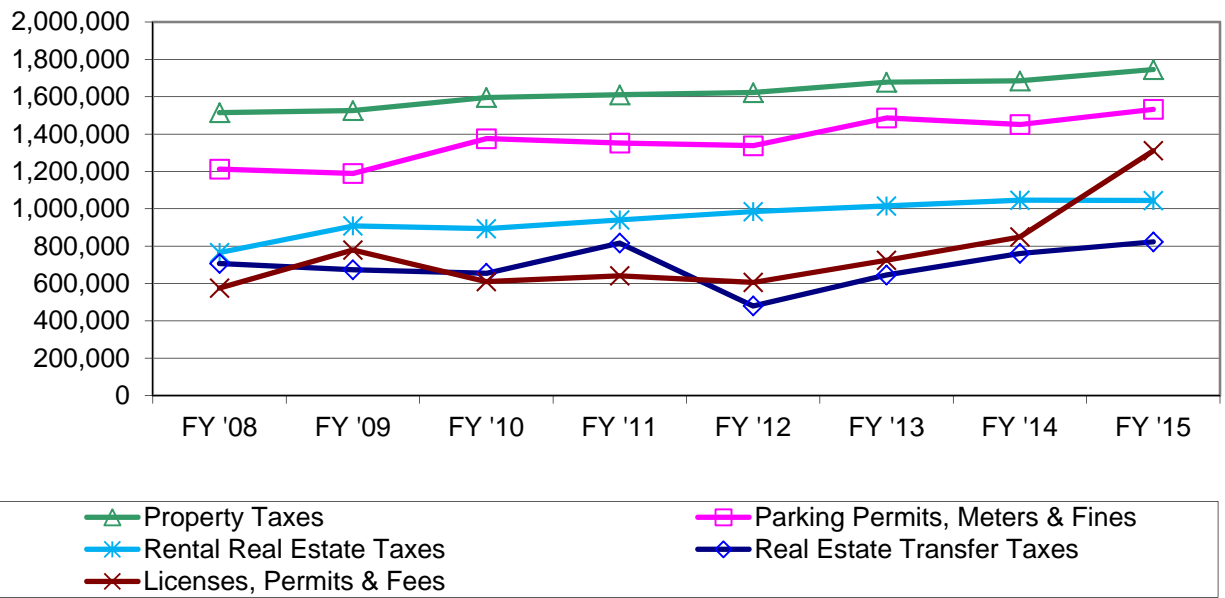
The Town budgets and sets fees with a goal of summer season revenues fully paying the cost of operations for the summer season. Summer season related revenue was approximately \$3.0 million. This revenue includes parking fees, rental taxes, business licenses, beach concessions and other fines and fees. The operating cost for the summer season, including the depreciation of capital assets, was estimated at \$3.1 million in fiscal year 2015. In the fiscal year 2016 budget parking fees were increased \$0.25 per hour to make up for this shortfall. Property tax revenues are not used to fund summer season costs.

The following two charts show the Town's general fund revenues for the fiscal year ending March 31, 2015, and the trend of our six largest, recurring revenue sources over the past eight fiscal years. Special fund revenue is not included in these charts due to the variable nature of State and Federal grants.

**FY 2015 Governmental Revenue Sources**  
(excludes grant funds)



### Trends in Major Governmental Revenue Sources



The Town's expense for all governmental activities combined was \$6,006,082. This covers a range of services and increased \$433,860 (7.8%) from fiscal year 2014.

### **Business-type activities**

The sanitation and water departments are the Town's business-type activities and are accounted for in their own funds. The Town segregates funds so that sanitation and water fees are used only to support sanitation and water needs, respectively. The sanitation and water funds are each entirely self-supporting.

Sanitation department revenues decreased \$15,683 (1.9%). Sanitation department expenses decreased \$5,735 (0.7%). Income and expense detail is shown on page 55 of this report. Sanitation revenues were sufficient to cover all operating costs, including depreciation with a net operating income of \$19,995.

Water department revenues increased \$133,730 (9.0%) mainly from the water impact fee charged on the Bethany Beach Ocean Suites construction project. Water department expenses increased \$170,657 (15.5%). Income and expense detail is shown on page 54 of this report. Operating revenues were not sufficient to cover all operating expenses, resulting in a net loss of \$133,825. Water use rates were increased in the fiscal year 2016 budget to correct this shortfall.

### **Financial Analysis of the Town's Funds**

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental Funds**

Governmental fund accounting provides information on available or spendable resources. This information is useful in assessing the Town's financing requirements for operations. The amount of unassigned fund balance may serve as a useful measure of the Town's net resources available for spending and for future needs. Unassigned fund balance provides a reserve for emergencies and provides working capital to pay the Town's bills.

During fiscal year 2015, the Town's governmental fund balance increased \$832,488 (14.8%) to \$6,440,037. Funds committed for capital improvements budgeted in the coming year decreased \$257,000, from \$1,229,000 to \$972,000. Funds committed for future capital projects increased \$1,179,000 from \$3,603,000 to \$4,782,000 as funds were set aside in reserve for future use.

A significant portion of fund balance, \$6,169,754 (95.8%), is nonspendable, restricted or committed to indicate that it is not available for spending. Currently these designations are:

1. Nonspendable prepaid balances	\$93,117
2. Restricted for use on grant purposes	\$113,091
3. Restricted for payment of post-employment health care benefits	\$51,502
4. Restricted for uses determined by the Cultural & Historical Affairs Committee	\$63,094
5. Restricted for use on the Fourth of July Parade	\$41,091
6. Restricted for ambulance fees paid to the Bethany Beach Volunteer Fire Company	\$53,859
7. Committed for capital improvements in the coming fiscal year	\$972,000
8. Committed for future capital replacements	\$4,782,000

The general fund is the main operating fund of the Town and accounts for major functions of the government including police, lifeguards, streets, parks, stormwater drainage, parking, recreation and general administrative services. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the general fund's total fund balance and operating expenditures. The general fund's unassigned fund balance of \$437,152 is 6.8% of the \$6,439,956 total fund balance and 8.8% of the \$4,958,414 in general fund operating expenditures for fiscal year 2015.

### **Proprietary Funds**

The Town's proprietary fund financial statements provide the same sort of information as the entity-wide statements and are found on pages 27-29 of this report.

The net position of the water department increased \$338,350 (5.6%) to \$6,364,259. Fiscal year 2015 resulted in a net operating loss of \$133,825. The water department had a net operating loss of \$12,196 in fiscal year 2014 and gains of \$48,294 in fiscal year 2013, \$97,313 in fiscal year 2012 and \$124,818 in fiscal year 2011. Non-operating revenues of \$472,175 were received mainly from water impact fees for capital projects and sinking fund fees for water department debt repayment. Water use rates were increased in March 2015 so the water department should not show an operating loss next fiscal year.

The net position of the sanitation department increased \$24,704 (1.6%) to end the year at \$1,563,613. Fiscal year 2015 resulted in a net operating income of \$19,995. The sanitation department had a net operating income of \$13,682 in fiscal year 2014, losses of \$80,418 in fiscal year 2013 and \$77,266 in fiscal year 2012 but a net operating income of \$74,401 in fiscal year 2011. The operating losses of fiscal years 2012 and 2013 led to a 12% increase in sanitation fees, which took effect April 1, 2013 and brought the sanitation fund back to just above break-even.

### **General Fund Budgetary Highlights**

The budgetary comparison schedule for the general fund can be found on page 48 of this report.

General fund revenues exceeded the amount budgeted by \$1,077,389 (19.2%). Page 12 of this report supplies detail on the largest revenues. Revenues from transfer taxes and building permits significantly exceeded budgeted estimates mainly from a single large construction project, Bethany Beach Ocean Suites. Without this project the general fund would have ended the year over budget in revenue by only \$433,324 (7.7%).

The Town Council may amend the budget during the year as purchase decisions are made and previously estimated amounts become known. In April 2015 the General Fund Operating Budget was retroactively reallocated between departments; additional funds were needed in some departments while others had funds to spare.

General fund expenditures as a whole were under the amended budget by \$90,586 (1.8%). Total revenues exceeded total expenditures by \$1,167,975, providing funding for future purchases of capital assets and for capital improvement projects.



## Capital Assets

The Town's investment in capital assets increased as follows:

<b>Governmental Activities</b>	<b>FY 2015 Additions</b>
Land	\$238,246
Beach and boardwalk	\$24,608
Machinery and equipment	\$54,696
Streets and parks	\$354,198
Vehicles	\$169,388
Total	<hr/> \$841,136

<b>Sanitation Fund</b>	<b>FY 2015 Additions</b>
Vehicles	\$162,600

<b>Water Fund</b>	<b>FY 2015 Additions</b>
Water Plant & Distribution System	\$22,413
Vehicles & Equipment	\$54,948
Total	<hr/> \$77,361

The Town Council made two amendments to the capital budget in governmental activities. In October of 2014, \$60,000 was added to the budget to fund additional street paving. In March of 2015, \$69,000 was added to the budget for replacement of two vehicles that were involved in accidents, both vehicles were covered by insurance.

In governmental activities, the largest area of capital expenditure in fiscal year 2015 was \$354,198 for maintenance, repairs, and improvements to streets and sidewalks, \$11,080 of this was funded through a State grant. The second largest capital cost was \$238,246 to purchase a piece of land that will serve as a second public works yard for equipment storage. The third largest category was \$169,388 in vehicles to replace three police cars, a pickup truck, an all-terrain vehicle and also to purchase a used mobile command center. The fourth category was \$54,696 spent in machinery and equipment to replace a skid steer and the sound system at the bandstand. The \$24,608 in beach and boardwalk expenditures was used to reconstruct sections of the boardwalk.

When capital projects are not completed by the end of the fiscal year they are classified as Construction in Progress, then when the project is complete it is transferred from Construction in Progress and into capital assets being depreciated. In fiscal year 2015, \$15,470 was added to Construction in Progress for a drainage project on Half Moon Drive while \$241,197 was reclassified to streets and parks as paving projects were completed.

As of the end of the fiscal year, \$93,266 remained in Construction in Progress for two projects; \$77,796 for development of Bethany Park and \$15,470 for the Half Moon drainage project.

In the sanitation department, \$162,600 was used to replace a trash truck.

In the water department, \$54,948 was used to replace a diesel pickup truck and \$22,413 was used to construct monitoring wells. Construction in Progress increased \$685,969, the majority of which were costs for construction of the new water tower and attached pump house.

At the end of the fiscal year, \$2,804,766 was classified as Construction in Progress. Of this amount, \$2,292,685 was for the water tower project and is part of the new loan from the Drinking Water State

Revolving Fund. Other projects still in progress at year end include \$443,041 for a new pump station and \$40,520 for electrical and distribution system work related to the water tower but not funded through the State loan.

Capital asset records are reviewed annually for accuracy and completeness. Assets that have been sold, scrapped or are no longer in use are deleted from the capital asset inventory. Further information on capital projects and purchases can be found on pages 39 and 40 of this report.

## **Debt Administration**

As of March 31, 2015, the Town had \$2,292,685 in outstanding debt from construction of the new water tower, which is a loan from the Drinking Water State Revolving Fund. Of the \$2,292,685 total outstanding debt of the Town, \$459,671 (20.0%) is payable within five years.

Acquiring new debt for construction of the water tower was approved by referendum in September 2013. The Town drew loan funds of \$143,214 in fiscal year 2013, \$1,643,894 in fiscal year 2014 and \$505,578 in fiscal year 2015. The Town does not anticipate drawing any more loan funds for this project. The State of Delaware loans money originally supplied by the Environmental Protection Agency through the Drinking Water State Revolving Fund program. This loan closed in December 2012 and allows the Town to borrow up to \$2,600,000 for a maximum term of 20 years at an interest rate of 2.13%. Payments for this loan will be made with revenue from the Town's current Sinking Fund fee, in effect extending the sinking fund for more years but not increasing the annual fee. While the loan term is 20 years, the Town Council has expressed its intention to repay this loan in 10 to 12 years. There are no penalties or fees for early repayment of this loan.

Additional information on Town debt can be found on pages 41 and 42.

## **Economic Factors**

We expect revenues for the coming fiscal year to be similar to those of fiscal year 2015 as reported in these financial statements with the following exceptions:

The Town may be significantly affected by unpredictable events such as hurricanes and nor'easters. The Town takes a proactive approach to pending storms by activating our disaster plan, evacuating people and relocating assets when feasible. The future economic performance of the Town could be greatly affected by weather events, particularly if they occur during the peak summer season.

Real estate transfer tax revenue is very unpredictable and dependent on the housing market. We expect to receive anywhere from \$500,000 to \$800,000 in fiscal year 2016. The Town chooses to budget near the conservative end of this range. The variable nature of this revenue is one reason that the Town uses these funds for capital purchases and projects and not for operational costs.

The fiscal year 2016 budget was approved in March 2015. The operating budget for all Town activities combined is \$7,020,000. This is \$297,000 (4.4%) more than the fiscal year 2015 operating budget. Budgeted operating costs increased 4.0% in the general fund, 1.6% in the sanitation fund and 8.8% in the water fund.

The fiscal year 2016 budget included the following adjustments to fees.

- Three increases to summer fees so that revenue received from the summer season is sufficient to cover the costs of the summer. Each of the following reflects an increase of approximately 17% and should generate at least \$199,000 in additional revenue.
  - Hourly parking rates were increased from \$1.50 to \$1.75 per hour.

- The cost for daily and weekly parking permits increased to \$23 for 1-day, \$69 for 3-days and \$160 for a week.
- The permit fees to operate a shuttle bus in Town limits increased to \$3,500 for shuttles with seating capacity of 10 or less and \$7,000 for shuttles with a seating capacity of 11 or more.
- Water use rates increased approximately 21% effective April 1, 2015. This should generate an additional \$208,000 in revenue and is needed because the water department has had an operating loss for the past two years.

In May of 2015, the Town Council approved an additional increase to parking fees. Hourly parking rates were increased to \$2.00 per hour and the cost for daily and weekly parking permits were increased to \$27 for 1-day, \$79 for 3-days and \$183 for 7-days. These fee increases will pay for the purchase of the land that is the main parking lot on Garfield Parkway. For the past four years the Town has leased the use of this property by sharing the parking revenue generated by this lot. By purchasing the property, the Town ensures the continued availability of these 34 valuable parking spaces.

General Fund capital projects budgeted for fiscal year 2016 are:

- \$400,000 for street maintenance and paving
- \$95,000 to replace a backhoe
- \$22,000 to purchase one or more large, outdoor holiday trees

Water Fund capital projects budgeted for fiscal year 2016 are:

- \$350,000 to replace the media in the filter gallery of the water treatment plant
- \$100,000 to replace the water main on South Atlantic Avenue
- \$100,000 for water system repairs and equipment replacement as needed
- \$50,000 to construct a structure to house the mineral tank and store equipment at the water plant

### **Requests for Information**

This report is designed to provide an overview of the Town of Bethany Beach's finances. Questions concerning any of the information found in this report, or requests for additional information, should be directed to the Town Manager's Office, Town of Bethany Beach, P.O. Box 109, Bethany Beach, DE 19930.

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# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF NET POSITION

March 31, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 824,127	\$ 484,770	\$ 1,308,897
Investments	5,118,616	1,917,022	7,035,638
Receivables:			
Taxes - real and personal property	14,878	-	14,878
Sanitation fees	-	9,506	9,506
Water charges	-	410,694	410,694
Interest	10,592	7,625	18,217
Other	477,729	136,000	613,729
Prepaid expenses	93,117	37,194	130,311
Total current assets	6,539,059	3,002,811	9,541,870
Noncurrent assets			
Restricted cash and cash equivalents	322,637	218,477	541,114
Capital assets at cost	16,990,094	11,733,488	28,723,582
Less accumulated depreciation	(6,422,248)	(4,385,659)	(10,807,907)
Total noncurrent assets	10,890,483	7,566,306	18,456,789
Total assets	\$ 17,429,542	\$ 10,569,117	\$ 27,998,659
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 93,861	\$ 55,339	\$ 149,200
Employee withholdings and payroll taxes	86,158	196,728	282,886
Internal balances	(18,857)	18,857	-
Unearned revenue	294,940	4,811	299,751
Notes payable	-	69,526	69,526
Compensated absences liability	9,091	2,386	11,477
Total current liabilities	465,193	347,647	812,840
Noncurrent liabilities			
Notes payable	-	2,223,159	2,223,159
Compensated absences liability	158,384	70,439	228,823
Total noncurrent liabilities	158,384	2,293,598	2,451,982
Total liabilities	623,577	2,641,245	3,264,822
<b>NET POSITION</b>			
Net investment in capital assets	10,567,846	5,055,144	15,622,990
Restricted	322,637	218,477	541,114
Unrestricted	5,915,482	2,654,251	8,569,733
Total net position	\$ 16,805,965	\$ 7,927,872	\$ 24,733,837

*The Notes to Financial Statements are an integral part of this statement.*

# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2015

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Primary Government		
		Services			Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General and administration	\$ 982,884	\$ -	\$ -	\$ -	\$ (982,884)	\$ -	\$ (982,884)
Licenses and inspections	230,218	1,310,881	-	-	1,080,663	-	1,080,663
Public Safety							
Police and Alderman fines and revenue	1,528,375	91,059	94,980	25,000	(1,317,336)	-	(1,317,336)
Parking	492,645	1,532,817	-	-	1,040,172	-	1,040,172
Beach Patrol	517,196	-	-	-	(517,196)	-	(517,196)
Ambulance	149,195	149,127	-	-	(68)	-	(68)
Public works							
Stormwater management	217,666	-	-	-	(217,666)	-	(217,666)
Streets and parks	1,150,510	-	-	11,080	(1,139,430)	-	(1,139,430)
Beach and boardwalk	430,234	-	-	-	(430,234)	-	(430,234)
Recreation - entertainment	264,844	-	-	-	(264,844)	-	(264,844)
Cultural, historical & parade	42,315	-	-	-	(42,315)	-	(42,315)
Total Governmental Activities	6,006,082	3,083,884	94,980	36,080	(2,791,138)	-	(2,791,138)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	1,274,410	1,080,516	524,741	-	-	330,847	330,847
Sanitation	798,512	818,507	-	-	-	19,995	19,995
Total Business-Type Activities	2,072,922	1,899,023	524,741	-	-	350,842	350,842
Total Primary Government	\$ 8,079,004	\$ 4,982,907	\$ 619,721	\$ 36,080	\$ (2,791,138)	\$ 350,842	\$ (2,440,296)
<b>General Revenues</b>							
Taxes:							
Property					1,745,806	-	1,745,806
Rental real estate					1,044,036	-	1,044,036
Transfer					822,846	-	822,846
Interest					31,417	12,212	43,629
Other					48,228	-	48,228
Total General Revenues					3,692,333	12,212	3,704,545
Change in Net Position					901,195	363,054	1,264,249
Net Position Beginning of Year					15,904,770	7,564,818	23,469,588
Net Position End of Year					\$ 16,805,965	\$ 7,927,872	\$ 24,733,837

The Notes to Financial Statements are an integral part of this statement.

**TOWN OF BETHANY BEACH, DELAWARE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**March 31, 2015**

	<u>Major Fund</u>		Special		Total
	<u>General</u>	<u>Capital</u>	<u>Revenue</u>	<u>Ambulance</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 824,127	\$ -	\$ -	\$ -	\$ 824,127
Investments	5,118,616	-	-	-	5,118,616
Receivables:					
Taxes - real and personal property	14,878	-	-	-	14,878
Interest	10,592	-	-	-	10,592
Other	464,855	-	11,503	1,371	477,729
Prepaid expenses	93,117	-	-	-	93,117
Due from other funds	(36,059)	66,419	-	-	30,360
Restricted Assets:					
Cash and cash equivalents	155,687	-	113,091	53,859	322,637
<b>Total assets</b>	<b>\$ 6,645,813</b>	<b>\$ 66,419</b>	<b>\$ 124,594</b>	<b>\$ 55,230</b>	<b>\$ 6,892,056</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 27,442	\$ 66,419	\$ -	\$ -	\$ 93,861
Employee withholdings and payroll taxes	42,624	-	-	-	42,624
Unearned revenues	126,700	-	113,010	55,230	294,940
Due to other funds	-	-	11,503	-	11,503
Compensated absences liability	9,091	-	-	-	9,091
<b>Total liabilities</b>	<b>205,857</b>	<b>66,419</b>	<b>124,513</b>	<b>55,230</b>	<b>452,019</b>
<b>FUND BALANCES</b>					
Nonspendable	93,117	-	-	-	93,117
Restricted	155,687	-	113,091	53,859	322,637
Committed for:					
Capital improvements	972,000	-	-	-	972,000
Future capital replacements	4,782,000	-	-	-	4,782,000
Unassigned	437,152	-	(113,010)	(53,859)	270,283
<b>Total fund balances</b>	<b>6,439,956</b>	<b>-</b>	<b>81</b>	<b>-</b>	<b>6,440,037</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,645,813</b>	<b>\$ 66,419</b>	<b>\$ 124,594</b>	<b>\$ 55,230</b>	<b>\$ 6,892,056</b>

*The Notes to Financial Statements are an integral part of this statement.*

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
March 31, 2015**

Total fund balances, governmental funds	\$ 6,440,037
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Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	10,567,846
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Some liabilities are not due and payable in the current period and therefore are  
not reported in the fund financial statements, but are reported in the governmental  
activities of the Statement of Net Position. Those liabilities consist of:

Other post-employment benefits obligation	(43,534)
Compensated absences	<u>(158,384)</u>

Total long-term liabilities	<u>(201,918)</u>
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Net position of governmental activities in the Statement of Net Position	<u>\$ 16,805,965</u>
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**TOWN OF BETHANY BEACH, DELAWARE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2015**

	<u>Major Fund</u>		Special	Ambulance	Total
	<u>General</u>	<u>Capital</u>	<u>Revenue</u>	<u>Fund</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Projects</u>	<u>Fund</u>		<u>Funds</u>
<b>REVENUES:</b>					
Taxes:					
Property	\$ 1,745,806	\$ -	\$ -	\$ -	\$ 1,745,806
Rental real estate	1,044,036	-	-	-	1,044,036
Transfer	822,846	-	-	-	822,846
Parking revenues	1,532,817	-	-	-	1,532,817
Licenses, permits and fees	1,310,881	-	-	-	1,310,881
Police and Alderman fines and revenue	91,059	-	-	-	91,059
Interest	31,901	-	44	68	32,013
Service receipts	-	-	-	149,127	149,127
Intergovernmental revenues: State	-	-	131,060	-	131,060
Contributions	31,328	-	-	-	31,328
Miscellaneous	85,715	-	-	-	85,715
Total revenues	6,696,389	-	131,104	149,195	6,976,688
<b>Expenditures:</b>					
General and administration	885,800	-	-	-	885,800
Licenses and inspections	229,067	-	-	-	229,067
Public safety:					
Police	1,319,191	-	89,981	-	1,409,172
Alderman	50,625	-	-	-	50,625
Parking	458,159	-	-	-	458,159
Beach Patrol	517,196	-	-	-	517,196
Ambulance	-	-	-	149,195	149,195
Public works:					
Stormwater management	153,594	-	-	-	153,594
Streets and parks	769,853	-	-	-	769,853
Beach and boardwalk	314,199	-	-	-	314,199
Recreation - entertainment	224,324	-	-	-	224,324
Cultural, historical & parade	36,406	-	-	-	36,406
Debt service:					
Principal	-	89,408	-	-	89,408
Interest	-	596	-	-	596
Capital outlay	-	815,527	41,079	-	856,606
Total expenditures	4,958,414	905,531	131,060	149,195	6,144,200
Excess (deficiency) of revenues over expenditures	1,737,975	(905,531)	44	-	832,488
Other financing (uses) sources					
Transfer (out) in	(905,531)	905,531	-	-	-
Total other financing (uses) sources	(905,531)	905,531	-	-	-
Net change in fund balances	832,444	-	44	-	832,488
Fund balances, beginning	5,607,512	-	37	-	5,607,549
Fund balances, end of year	\$ 6,439,956	\$ -	\$ 81	\$ -	\$ 6,440,037

*The Notes to Financial Statements are an integral part of this statement.*

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2015**

Net change in fund balances, governmental funds	\$	832,488
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the  
Statement of Activities, the cost of those assets is allocated over their estimated useful  
lives and reported as depreciation expense. In the current period, these amounts are:

Capital outlay	856,606	
Depreciation expense	(804,916)	
Excess of capital outlay over depreciation expense		51,690

In the statement of activities, only the gains (losses) on sale of assets are reported whereas in the governmental funds, the proceeds from the sales of assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the basis of the assets sold.		(68,815)
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Governmental funds report repayment of capital leases and debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.		89,408
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Some items reported in the Statement of Activities do not require the use of current  
financial resources and therefore are not reported as expenditures in governmental  
funds. These activities consist of:

Increase in other post-employment benefits obligation	(5,047)	
Decrease in compensated absences	1,471	

Change in net position of governmental activities	\$	901,195
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# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF FUND NET POSITION BUSINESS-TYPE ACTIVITIES

March 31, 2015

	Enterprise Fund		
	Water Fund	Sanitation Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 391,673	\$ 93,097	\$ 484,770
Investments	1,136,565	780,457	1,917,022
Receivables:			
Water charges	410,694	-	410,694
Sanitation	-	9,506	9,506
Interest	3,008	4,617	7,625
Other	136,000	-	136,000
Prepaid expenses	26,376	10,818	37,194
Total current assets	2,104,316	898,495	3,002,811
Noncurrent assets			
Restricted cash and cash equivalents	218,477	-	218,477
Capital assets, at cost	10,177,497	1,555,991	11,733,488
Less accumulated depreciation	(3,539,825)	(845,834)	(4,385,659)
Total noncurrent assets	6,856,149	710,157	7,566,306
<b>Total assets</b>	<b>\$ 8,960,465</b>	<b>\$ 1,608,652</b>	<b>\$ 10,569,117</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 47,748	\$ 7,591	\$ 55,339
Employee withholdings and payroll taxes	191,118	5,610	196,728
Due to other funds	13,689	5,168	18,857
Unearned revenues	4,593	218	4,811
Long-term liabilities due within one year:			
General obligation bonds	69,526	-	69,526
Compensated absences liability	1,365	1,021	2,386
Total current liabilities	328,039	19,608	347,647
Noncurrent liabilities			
General obligation bonds	2,223,159	-	2,223,159
Compensated absences liability	45,008	25,431	70,439
Total noncurrent liabilities	2,268,167	25,431	2,293,598
Total liabilities	2,596,206	45,039	2,641,245
<b>NET POSITION</b>			
Net investment in capital assets	4,344,987	710,157	5,055,144
Restricted	218,477	-	218,477
Unrestricted	1,800,795	853,456	2,654,251
Total	\$ 6,364,259	\$ 1,563,613	\$ 7,927,872

*The Notes to Financial Statements are an integral part of this statement.*

# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION BUSINESS-TYPE ACTIVITIES Year Ended March 31, 2015

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUE			
Charges for services:			
Water	\$ 1,045,692	\$ -	\$ 1,045,692
Sanitation	-	818,507	818,507
Other operating	34,824	-	34,824
Total operating revenues	1,080,516	818,507	1,899,023
OPERATING EXPENSES			
Water	962,959	-	962,959
Sanitation	-	677,845	677,845
Depreciation and amortization	251,382	120,667	372,049
Total operating expenses	1,214,341	798,512	2,012,853
Net operating (loss) income	(133,825)	19,995	(113,830)
NON-OPERATING REVENUE (EXPENSES)			
Non-operating revenue	524,741	-	524,741
Amortization of bond issue cost	(10,000)	-	(10,000)
Financial expense, net	(42,566)	4,709	(37,857)
Total non-operating revenue	472,175	4,709	476,884
Change in net position	338,350	24,704	363,054
Total net position, beginning	6,025,909	1,538,909	7,564,818
Total net position, ending	\$ 6,364,259	\$ 1,563,613	\$ 7,927,872

*The Notes to Financial Statements are an integral part of this statement.*

# TOWN OF BETHANY BEACH, DELAWARE

## STATEMENT OF CASH FLOWS BUSINESS-TYPE ACTIVITIES Year Ended March 31, 2015

	<b>Enterprise Fund</b>		
	<u>Water Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 923,828	\$ 815,801	\$ 1,739,629
Receipts from others	516,459	-	516,459
Payments to suppliers	(825,472)	(299,362)	(1,124,834)
Payments to employees	(491,309)	(387,220)	(878,529)
Net cash provided by operating activities	123,506	129,219	252,725
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Non-operating revenue	524,741	-	524,741
Advances (from) to general fund, net	(16,077)	4,425	(11,652)
Net cash provided by noncapital financing activities	508,664	4,425	513,089
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	(763,330)	(162,600)	(925,930)
Proceeds from capital debt	505,578	-	505,578
Principal paid on long-term debt	(250,000)	-	(250,000)
Interest paid on long-term debt	(50,069)	-	(50,069)
Net cash used in capital and related financing activities	(557,821)	(162,600)	(720,421)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments	-	(263,547)	(263,547)
Sale of investments	347,287	-	347,287
Interest income	7,503	4,709	12,212
Net cash provided by (used in) investing activities	354,790	(258,838)	95,952
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>429,139</b>	<b>(287,794)</b>	<b>141,345</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>181,011</b>	<b>380,891</b>	<b>561,902</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 610,150</b>	<b>\$ 93,097</b>	<b>\$ 703,247</b>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating (loss) income	\$ (133,825)	\$ 19,995	\$ (113,830)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:			
Depreciation and amortization expense	251,382	120,667	372,049
Changes in assets and liabilities:			
Receivables, net	358,543	(2,924)	355,619
Prepaid expenses	(13,239)	(3,535)	(16,774)
Unearned revenue	1,228	218	1,446
Accounts and other payables	(341,757)	(2,291)	(344,048)
Compensated absences liability	1,174	(2,911)	(1,737)
<b>Net cash provided by operating activities</b>	<b>\$ 123,506</b>	<b>\$ 129,219</b>	<b>\$ 252,725</b>

*The Notes to Financial Statements are an integral part of this statement.*

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Description of the Town of Bethany Beach, Delaware**

The Town of Bethany Beach, Delaware (“the Town”) was incorporated in 1901 under the provisions of the State of Delaware, and was reincorporated in 1986. The Town operates under a Council-Manager form of government. The Town directly provides all basic local governmental services.

#### **A. Financial Reporting Entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision of whether to include a potential component unit was made by applying the criteria set forth in the GASB standards related to component units. The basis-but not the only-criterion for including a potential component unit is the exercise of oversight responsibility by the Town’s elected officials. Based upon the application of these criteria, there are no component units accompanying these statements.

### **Note 2. Summary of Significant Accounting Policies**

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The most significant of the Town’s accounting policies are described below.

#### **A. Basis of Presentation**

The Town’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town’s governmental activities and for business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from general revenues of the Town.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### A. Basis of Presentation (continued)

##### FUND FINANCIAL STATEMENTS

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at a more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each fund is presented in a separate column. Fiduciary funds are reported by type. There are no fiduciary funds.

#### B. Fund Accounting

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

##### GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Town's major governmental funds:

General Fund – The general fund is the general operating fund of the Town. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund and general operating expenditures are accounted for in this fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities that are not financed by proprietary funds.

The remaining governmental funds which are non-major consist of the following:

The Special Revenue – Grants Fund is used to account for the proceeds of specific revenue sources. The Ambulance Fund is used to account for the proceeds and expenditures of ambulance fees.

##### PROPRIETARY FUNDS

Proprietary funds focus on the determination of changes in net position, financial position, and cash flows and are classified as enterprise funds.

Enterprise funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Town's enterprise funds are:

Water Fund – The water fund is used to account for all financial transactions, including the acquisition or construction of major capital facilities, related to the operation of the Town's water services.

Sanitation Fund – The sanitation fund is used to account for all financial transactions, including capital outlays, related to the operation of the Town's sanitation services.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### B. Fund Accounting (continued)

##### FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The Town does not have any fiduciary funds.

#### C. Measurement Focus

Government-wide financial statements – The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

Fund financial statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

#### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, “available” is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### D. Basis of Accounting (continued)

##### Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and / or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Town has no deferred outflows of resources for the current year.

In addition to liabilities, the statement of financial position and / or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no deferred inflows of resources for the current year.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated assets during the year is reported in the operating statement as an expense with a like amount reported as donated revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

#### E. Budgetary Process

The Town Council follows these procedures in establishing the budgetary data reflected within the financial statements:

1. The Budget Committee submits to the Town Council a proposed operating budget for the ensuing fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Council meets in open session to review the proposed operating budget.
3. Not before the public meeting and prior to the end of the preceding fiscal year, the budget is legally enacted.
4. Formal budgetary integration is employed as a management control device during the year for all the operating funds.
5. The budget for the general fund is adopted on a basis consistent with GAAP as applicable to governments.
6. The budgets for the special revenue fund are approved on a program-by-program basis by the funding agencies.
7. The Town Council may amend the approved budget periodically throughout the year.

#### F. Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### G. Investments

Investments consist of certificates of deposit and are carried at cost, which approximates fair market value.

#### H. Receivables

Anticipated bad debts are considered to be negligible by the Town management and, accordingly, no provision for bad debts has been included in the financial statements.

#### I. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$10,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful lives of the assets, ranging from 4 to 50 years.

#### J. Restricted Assets

Restricted assets consist of cash and equivalents restricted for specified projects and/or purposes.

#### K. Bond Issue Costs

Bond issue costs are a result of the refinancing of the 1989 general obligation bonds. These costs are being amortized over the respective lives of the bonds using the straight-line method.

#### L. Unearned Revenue

Unearned revenues at March 31, 2015 are as follows:

	Governmental Activities	Business-Type Activities	Total
Parking permits	\$ 27,710	\$ -	\$ 27,710
Licenses	18,180	-	18,180
Concession fees	62,049	-	62,049
Grants	113,010	-	113,010
Ambulance fees	55,230	-	55,230
Other	18,761	4,811	23,572
Total unearned revenues	\$ 294,940	\$ 4,811	\$ 299,751

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### M. Compensated Absences

An employee may accumulate 24 days of vacation pay. No sick days are accumulated until an individual's term of employment has exceeded 3 years. Then, an employee may accumulate up to 20 days of sick leave. The Town accrues a liability for compensated absences, which meet the following criteria:

- The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation pay and sick leave, which has been earned but not taken by Town employees. The entire compensated absences liability is reported on the government-wide financial statements. For governmental funds the long-term portion of the liability for compensated absences is not recorded since it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences of the proprietary fund type is recorded within the fund as an accrued liability in accordance with U.S. GAAP.

#### N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

#### O. Interest Capitalization

Interest costs incurred for the acquisition and/or construction of capital assets are capitalized in accordance with U.S. GAAP. The interest capitalization period begins when the following conditions are present:

- Expenditures for the capital asset have been made.
- Activities that are necessary to get the capital asset ready for its intended use are in progress.
- Interest expense is being incurred.

The amount of interest expense to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the interest rate for the obligation incurred specifically to finance the construction of capital assets. There was no capitalization of interest expense during the fiscal year ended March 31, 2015.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### P. Net Position

Net position represents the difference between assets and liabilities. Government-wide and proprietary fund net position is divided into three components:

Net position invested in capital assets – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position that is restricted due to limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by grantors, creditors, or laws or regulations of other governments.

Unrestricted net position – all remaining balances.

The Town applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### Q. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the Town charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Town Council through ordinance or resolution.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

The Town did not have any assigned fund balances at March 31, 2015. The purpose for committed funds is indicated on the face of the balance sheet. Restricted funds are grant monies from other governments or agencies that are to be spent for specific purposes. Nonspendable fund balances consist of prepaid amounts.

#### R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sanitation activities. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. Revenues not meeting these definitions are reported as non-operating.

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 2. Summary of Significant Accounting Policies (continued)**

#### **S. Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

#### **T. Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

#### **U. Interfund Transfers In/Out**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **V. Reclassifications**

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

#### **W. Operating Leases**

The Town has several parking lot lease agreements with various lease terms, renewable annually. Rent expense totaled approximately \$78,000 for the year ended March 31, 2015.

### **Note 3. Real Estate Taxes**

The tax on real estate in the Town area for the fiscal year ended March 31, 2015 was \$0.175 per \$100 of assessed valuation as levied by the Town Council. The Town bills and collects its own real estate taxes. Delinquent taxes are levied by the Town. The schedule of real estate taxes levied for the fiscal year is as follows:

- |             |  |
|-------------|--|
| June 1      | - Levy date (effective date of enforceable lien) |
| September 1 | - 2% penalty for each subsequent month not paid  |

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Cash and Investments

The deposit and investment policy of the Town adheres to business practices of Delaware municipalities. Town deposits are held in federally regulated financial institutions whose deposits are covered by the Federal Deposit Insurance Corporation (FDIC), or are collateralized with securities held by the pledging financial institution, therefore minimizing custodial credit risk.

#### Cash and Cash Equivalents

The following summary represents the Town deposits which are (Category 1) fully insured or collateralized with securities held by the Town or its agent in the Town's name, (Category 2) those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent(s) in the Town's name, and (Category 3) those deposits which are not collateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name at March 31, 2015:

Description	Financial Institution Balances				Totals	Carrying Amounts
	Category					
	1	2	3			
Cash & Cash Equivalents:						
Unrestricted	\$ 511,658	\$ 1,182,178	\$ -	\$ 1,693,836	\$ 1,308,897	
Restricted	-	541,114	-	541,114	541,114	
Totals	\$ 511,658	\$ 1,723,292	\$ -	\$ 2,234,950	\$ 1,850,011	

#### Investments

The Town's investments are categorized according to the level of credit risk assumed as of the balance sheet date. Category 1 includes investments that are insured, registered, or are held by the Town's agent in the Town's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or its agent but not in the Town's name. At March 31, 2015, the Town's investments consist of the following:

Description	Category	Amounts	
		Market	Carrying
Certificates of Deposit	1, 2	\$ 7,035,638	\$ 7,035,638
Investments:			
Unrestricted		\$ 7,035,638	\$ 7,035,638
<b>Total Investments</b>		<b>\$ 7,035,638</b>	<b>\$ 7,035,638</b>

The Town's exposure to investment rate and credit risk is minimal, as most investments are in cash or certificates of deposits and are thus precluded from having to sell below original cost.

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets

The following is a summary of changes in capital assets for the year ended March 31, 2015:

	March 31, 2014	Additions	Deletions/ Transfers	March 31, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets, not being depreciated:				
Land	\$ 3,391,767	\$ 238,246	\$ -	\$ 3,630,013
Construction in progress	318,993	15,470	(241,197)	93,266
Total capital assets, not being depreciated	3,710,760	253,716	(241,197)	3,723,279
Capital assets, being depreciated				
Beach and boardwalk	1,067,969	24,608	(83,075)	1,009,502
Building and improvements	3,917,518	-	-	3,917,518
Land improvements	643,162	-	-	643,162
Machinery and equipment	1,384,808	54,696	(63,520)	1,375,984
Stormwater	1,253,093	-	-	1,253,093
Streets and parks	3,547,368	354,198	47,266	3,948,832
Vehicles	1,022,069	169,388	(72,733)	1,118,724
Total capital assets, being depreciated	12,835,987	602,890	(172,062)	13,266,815
Less accumulated depreciation:				
Beach and boardwalk	339,926	52,623	(74,027)	318,522
Building and improvements	1,996,565	172,629	-	2,169,194
Land improvements	326,007	38,160	-	364,167
Machinery and equipment	1,007,265	93,899	(63,520)	1,037,644
Stormwater	650,056	63,421	-	713,477
Streets and parks	902,966	308,710	(160,466)	1,051,210
Vehicles	738,991	75,474	(46,431)	768,034
Total accumulated depreciation	5,961,776	804,916	(344,444)	6,422,248
Total capital assets, being depreciated, net	6,874,211	(202,026)	172,382	6,844,567
Governmental activities capital assets, net	\$ 10,584,971	\$ 51,690	\$ (68,815)	\$ 10,567,846

Depreciation expense was charged to governmental functions as follows:

General, administrative and park development	\$ 92,314
Police and Alderman	74,320
Parking	28,288
Public works	
Stormwater management	66,152
Streets and parks	383,682
Beach and boardwalk	116,316
Recreation - entertainment	37,935
Historical/Cultural	5,909
	<u>\$ 804,916</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Capital Assets (continued)

	March 31, 2014	Additions	Deletions/ Transfers	March 31, 2015
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Water Fund</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 2,118,797	\$ 685,969	\$ -	\$ 2,804,766
Total capital assets, not being depreciated	2,118,797	685,969	-	2,804,766
Capital assets, being depreciated:				
Plant and water distribution system	6,894,967	22,413	-	6,917,380
Vehicles and equipment	400,403	54,948	-	455,351
Total capital assets, being depreciated	7,295,370	77,361	-	7,372,731
Total accumulated depreciation	3,288,443	251,382	-	3,539,825
Total capital assets, being depreciated, net	4,006,927	(174,021)	-	3,832,906
<b>Water capital assets, net</b>	<b>\$ 6,125,724</b>	<b>\$ 511,948</b>	<b>\$ -</b>	<b>\$ 6,637,672</b>
<b>Sanitation Fund</b>				
Capital assets, being depreciated:				
Vehicles and equipment	\$ 1,393,391	\$ 162,600	\$ -	\$ 1,555,991
Total capital assets, being depreciated	1,393,391	162,600	-	1,555,991
Total accumulated depreciation	725,167	120,667	-	845,834
Total capital assets, being depreciated, net	668,224	41,933	-	710,157
<b>Sanitation capital assets, net</b>	<b>668,224</b>	<b>41,933</b>	<b>-</b>	<b>710,157</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 6,793,948</b>	<b>\$ 553,881</b>	<b>\$ -</b>	<b>\$ 7,347,829</b>



## NOTES TO FINANCIAL STATEMENTS

### Note 6. Bonds and Notes Payable – Business-type Activities

The following is a summary of the changes in the business-type activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2014	Additions	Retirements and Repayments	Balances March 31, 2015	Amount Due in One Year
Compensated absences			\$ 74,562	\$ -	\$ 1,737	\$ 72,825	\$ 2,386
General Obligation Bonds:							
Series 1994			\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
Bond Premium			13,476	-	13,476	-	-
Refunding Deferral							
Series 1994, net	5.30%	2014	(10,342)	-	(10,342)	-	-
			253,134	-	253,134	-	-
Series 2012-SRF	2.13%	2034	1,787,107	505,578	-	2,292,685	69,526
			2,040,241	505,578	253,134	2,292,685	69,526
Total Business-type Activities							
Long-Term Debt			\$ 2,114,803	\$ 505,578	\$ 254,871	\$ 2,365,510	\$ 71,912

Total annual requirements to amortize all business-type activities debt outstanding as of March 31, 2015 are as follows:

Fiscal Year Ending March 31,	Principal	Interest	Total
2016	\$ 69,526	\$ 36,133	\$ 105,659
2017	94,445	46,435	140,880
2018	96,477	44,403	140,880
2019	98,552	42,328	140,880
2020	100,671	40,208	140,879
2021 - 2025	536,784	167,615	704,399
2026 - 2030	597,050	107,349	704,399
2031 - 2035	664,083	40,316	704,399
2036	35,097	125	35,222
	\$ 2,292,685	\$ 524,912	\$ 2,817,597

Interest expense in the business-type activities for the year ended March 31, 2015 totaled \$50,069. The above amortization schedule assumes repayment of the Series 2012-SRF loan over the maximum loan term of twenty years. The Town Council currently intends to repay this loan over a term of 10 to 12 years. Early repayment of this loan will not result in a prepayment penalty.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Bonds and Notes Payable – Governmental Activities

The following is a summary of the changes in the governmental activities long-term debt obligations:

	Interest Rate	Maturity Date	Balances March 31, 2014	Additions	Retirements and Repayments	Balances March 31, 2015	Amount Due in One Year
Compensated absences			\$ 162,681	\$ 4,794	\$ -	\$ 167,475	\$ 9,091
State of Delaware Pension	8.00%	2014	89,408	-	89,408	-	-
Total Governmental Activities Long-Term Debt			\$ 252,089	\$ 4,794	\$ 89,408	\$ 167,475	\$ 9,091

Interest expense in the governmental activities for the year ended March 31, 2015 totaled \$596.

### Note 8. Post-Employment Healthcare Benefits

#### Plan Description

The Town administers a single-employer defined benefit healthcare plan (the “Plan”) for employees hired prior to June 1, 1999 with at least 7 years of service who have not opted out of this benefit. Currently, two retirees and their families are eligible for these benefits and one is receiving such benefits. The Town also provides healthcare benefits for one individual based upon an agreement made during the time of employment. The Plan does not issue a publicly available financial report.

#### Funding Policy

During the fiscal year ended March 31, 2015, the cost of healthcare benefits for these employees and their families was approximately \$5,000.

#### Annual OPEB Cost and Net OPEB Obligation

The Town’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined using the alternative measurement method provided for in GASB 45. The Town has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Town pays post-employment retirement benefits (normal cost) from the general and water funds.

## NOTES TO FINANCIAL STATEMENTS

### Note 8. Post-Employment Healthcare Benefits (continued)

#### Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB Obligation.

Annual Required Contribution (ARC)	\$ 38,000
Interest on Net OPEB Obligation (NOO)	-
Adjustment to Annual Required Contribution (ARC)	-
Annual OPEB cost	38,000
Contributions made	(5,000)
Change in Net OPEB Obligation (NOO)	33,000
Net OPEB Obligation (NOO) - Beginning of Year	193,000
Net OPEB Obligation (NOO) - End of Year	\$ 226,000

The following presents the Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation:

Year Ended March, 31	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 62,000	\$ 15,000	24.19%	\$ 83,000
2012	62,000	15,000	24.19%	130,000
2013	38,000	8,000	21.05%	160,000
2014	38,000	5,000	13.16%	193,000
2015	38,000	5,000	13.16%	226,000

#### Funding Status and Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2011	\$ 84,000	\$ 545,000	\$ 461,000	15.41%	\$ 59,000	781.36%
3/31/2012	130,000	545,000	415,000	23.85%	57,000	728.07%
3/31/2013	183,000	473,000	290,000	38.69%	60,000	483.33%
3/31/2014	206,000	473,000	267,000	43.55%	61,000	437.70%
3/31/2015	234,000	473,000	239,000	49.47%	64,000	373.44%

## NOTES TO FINANCIAL STATEMENTS

### **Note 8. Post-Employment Healthcare Benefits (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In determining its actuarial valuation of OPEB costs and liabilities, the Town used the entry age actuarial cost method and the level percentage of payroll amortization method using certain assumptions and default values provided for under the alternative measurement method in GASB 45. Additionally, other assumptions were used based on comparable plans to include: an average retirement age of 68, RP 2000 mortality table for males and females projected 10 years, standard turnover assumptions as per GASB 45 paragraph 35b, a discount rate of 2.0%, projected salary increases of 3.0%, plan asset return of 2.0%, employer asset return of 2.0%, and an annual healthcare cost trend of 8.0% initially, reduced to an ultimate rate of 4.7% after ten years.

The unfunded accrued actuarial liability is being amortized as a level percentage of projected payroll over a 10-year period. The remaining amortization period at March 31, 2015 was 4 years.

### **Note 9. Pension and Retirement Plans**

Effective on June 30, 2006, the Town entered into the State of Delaware County & Municipal Employees Pension Plan and State of Delaware County and Municipal Police and Firefighters Pension Plan. In November 2008, six employees signed Agreements and Releases waiving their claim on post employment health care benefits which would have been covered under GASB No. 45. Instead of the post employment health care benefits, the Town bought 100% of their past service into the State of Delaware County & Municipal Employees Plan. The Town's liability for the buy-in of past service is \$482,700. Starting in fiscal year 2010, the Town was required to make 5 annual payments of \$96,700 with a final payment of \$96,560 in May 2014 to satisfy the liability.

#### Plan Description

All regular employees of the Town participate in the State of Delaware County & Municipal Employees Pension Plan. Police officers participate in the State of Delaware County and Municipal Police and Firefighters Pension Plan. Both plans are cost-sharing multiple employer public retirement systems included in the Delaware Public Employees Retirement System and administered by the State of Delaware Board of Pension Trustees. The plans are outlined in the Delaware State Code sections Title 29 chapters 55A and Title 11 chapter 88. The Delaware Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the Office of Pensions, McArdle Building, 860 Silver Lake Blvd., Suite #1, Dover, DE 19904-2402 or on their website.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Pension and Retirement Plans (continued)

#### Plan Description (continued)

General participants in the System may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of eligible service for reduced benefits. Police officers may retire with full benefits after twenty years of service regardless of age or earlier at reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to vesting in the plans are refunded their accumulated contributions plus earned interest. Employees are vested in the plans after 5 years of service. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of credible service and final average compensation.

#### Funding Policy

The State Office of Pensions requires active members to contribute to the System at rates determined annually by actuarial valuations. For the State fiscal year ending June 30, 2014, the Town was required to contribute 6.48% of total compensation for general employees and 14.18% of regular salary for police officers. Employee contributions are done through payroll withholding in the amount of 3% for general employees and 7% for police officers.

The Delaware Public Employees' Retirement System Annual Financial Report for the year ended June 30, 2014 indicated that the County & Municipal Police and Firefighters' and the County & Municipal Other Employees' Plans were funded 104.5% and 101.8% respectively. Therefore the Town's employees' plans were over funded, resulting in no Unfunded Actuarially Accrued Liability (UAAL).

#### Employer's Payroll and Contributions under the Plan

The Town joined the State of Delaware pension plans on June 30, 2006. Contributions paid for the years ended March 31, 2015, 2014, and 2013 are as follows:

	2015	2014	2013
Creditable wages	\$ 2,062,509	\$ 1,912,686	\$ 1,853,041
Contributions paid:			
General employees	96,011	91,585	88,208
Police officers	85,063	82,898	81,052

### Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town's risk financing techniques include the purchase of commercial insurance.

The Town is fully insured for workers' compensation, employee health, and accident insurance through commercial insurance, and employees are bonded to limit the loss to the Town in the event of employees committing acts of embezzlement or theft. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

## NOTES TO FINANCIAL STATEMENTS

### **Note 11. Commitments, Contingencies and Subsequent Events**

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchases of goods and services. The Town does not anticipate losses as a result of these transactions.

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

The Town is a defendant in several lawsuits. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not, in the aggregate, have a material adverse effect on the financial position of the Town.

During June 2015, the Town purchased land on Garfield Parkway for approximately \$1,250,000. This land will be used as a parking lot, and had been leased by the Town for the previous four years. The Town paid approximately \$350,000 of the purchase price at the time of settlement, with the balance to be paid in four installments due each September through 2018, interest accruing at 5%.

## REQUIRED SUPPLEMENTARY INFORMATION

# TOWN OF BETHANY BEACH, DELAWARE

## REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND Year Ended March 31, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Taxes:				
Property	\$ 1,744,000	\$ 1,744,000	\$ 1,745,806	\$ 1,806
Rental real estate	1,050,000	1,050,000	1,044,036	(5,964)
Transfer	550,000	550,000	822,846	272,846
Parking revenues	1,465,000	1,465,000	1,532,817	67,817
Licenses, permits and fees	620,000	620,000	1,310,881	690,881
Police and Alderman fines and revenue	120,000	120,000	91,059	(28,941)
Interest	25,000	25,000	31,901	6,901
Contributions	32,000	32,000	31,328	(672)
Miscellaneous	13,000	13,000	85,715	72,715
<b>Total revenues</b>	<b>5,619,000</b>	<b>5,619,000</b>	<b>6,696,389</b>	<b>1,077,389</b>
<b>EXPENDITURES:</b>				
General and administration	921,000	896,000	885,800	10,200
Licenses and inspections	207,000	229,000	229,067	(67)
Public safety:				
Police	1,386,000	1,336,000	1,319,191	16,809
Alderman	53,000	53,000	50,625	2,375
Parking	422,000	460,000	458,159	1,841
Beach Patrol	469,000	519,000	517,196	1,804
Public works:				
Stormwater management	246,000	186,000	153,594	32,406
Streets and parks	777,000	777,000	769,853	7,147
Beach and boardwalk	301,000	316,000	314,199	1,801
Recreation - entertainment	217,000	227,000	224,324	2,676
Cultural, historical & parade	50,000	50,000	36,406	13,594
<b>Total expenditures</b>	<b>5,049,000</b>	<b>5,049,000</b>	<b>4,958,414</b>	<b>90,586</b>
<b>Excess of revenues over expenditures</b>	<b>570,000</b>	<b>570,000</b>	<b>1,737,975</b>	<b>1,167,975</b>
<b>OTHER FINANCING USES:</b>				
Transfer out	(556,000)	(1,448,000)	(905,531)	542,469
Fund balance appropriated	(14,000)	878,000	-	(878,000)
<b>Total other financing uses</b>	<b>(570,000)</b>	<b>(570,000)</b>	<b>(905,531)</b>	<b>(335,531)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>832,444</b>	<b>\$ 832,444</b>
Fund balance - beginning			5,607,512	
Fund balance - ending			<u>\$ 6,439,956</u>	



**TOWN OF BETHANY BEACH, DELAWARE**

**REQUIRED SUPPLEMENTARY INFORMATION**

**Year Ended March 31, 2015**

**EMPLOYEE POST-EMPLOYMENT HEALTHCARE BENEFIT  
SCHEDULE OF FUNDING PROGRESS BY VALUATION DATE**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/31/2011	\$ 84,000	\$ 545,000	\$ 461,000	15.41%	\$ 59,000	781.36%
3/31/2012	130,000	545,000	415,000	23.85%	57,000	728.07%
3/31/2013	183,000	473,000	290,000	38.69%	60,000	483.33%
3/31/2014	206,000	473,000	267,000	43.55%	61,000	437.70%
3/31/2015	234,000	473,000	239,000	49.47%	64,000	373.44%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended March, 31	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 62,000	\$ 15,000	24.19%	\$ 83,000
2012	62,000	15,000	24.19%	130,000
2013	38,000	8,000	21.05%	160,000
2014	38,000	5,000	13.16%	193,000
2015	38,000	5,000	13.16%	226,000

**TOWN OF BETHANY BEACH, DELAWARE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Note 1. Budgetary Basis**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

## ADDITIONAL SUPPLEMENTARY INFORMATION

# TOWN OF BETHANY BEACH, DELAWARE

## ADDITIONAL SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND Year Ended March 31, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>EXPENDITURES:</b>				
General and administration	\$ -	\$ 70,000	\$ -	\$ 70,000
Public safety:				
Vehicles	-	69,000	68,887	113
Public works:				
Streets and parks	240,000	993,000	621,265	371,735
Beach and boardwalk	50,000	50,000	40,161	9,839
Bandstand and entertainment	20,000	20,000	14,796	5,204
Stormwater management	155,000	155,000	70,418	84,582
Debt service:				
Principal	90,400	90,400	89,408	992
Interest	600	600	596	4
<b>Total expenditures</b>	<b>556,000</b>	<b>1,448,000</b>	<b>905,531</b>	<b>542,469</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	556,000	1,448,000	905,531	(542,469)
<b>Total other financing sources</b>	<b>556,000</b>	<b>1,448,000</b>	<b>905,531</b>	<b>(542,469)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund balance - beginning			-	
Fund balance - ending			<u>\$ -</u>	

**TOWN OF BETHANY BEACH, DELAWARE**

**ADDITIONAL SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND  
Year Ended March 31, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenues:				
State and County	\$ 187,000	\$ 218,060	\$ 131,060	\$ (87,000)
Interest income	-	-	44	44
<b>Total revenues</b>	<b>187,000</b>	<b>218,060</b>	<b>131,104</b>	<b>(86,956)</b>
<b>EXPENDITURES:</b>				
Public safety:				
Police	100,000	119,980	119,980	-
Public works:				
Streets and parks	87,000	98,080	11,080	87,000
<b>Total expenditures</b>	<b>187,000</b>	<b>218,060</b>	<b>131,060</b>	<b>87,000</b>
Excess of revenues over expenditures	-	-	44	44
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>44</b>	<b>\$ 44</b>
Fund balance - beginning			37	
Fund balance - ending			<u>\$ 81</u>	

**TOWN OF BETHANY BEACH, DELAWARE**

**INCOME AND EXPENSE DETAIL**

**WATER FUND**

**Year Ended March 31, 2015**

**WATER SERVICE:**

Operating revenues:

Charges for services	\$ 1,045,692
Other service fees	34,717
Miscellaneous	107

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Total operating revenues	1,080,516
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Operating expenses:

Salaries and wages	325,280
Payroll taxes	24,535
Employee benefits	142,668
Engineering	7,793
Contract services	79,356
Insurance	60,427
Telephone	4,794
Utilities	52,106
Repairs and maintenance	19,592
Sewer service charge	1,013
Plant maintenance	64,721
Distribution system maintenance	78,662
Office supplies	6,111
Miscellaneous	10,654
Supplies	11,397
Chemicals	71,277
Uniforms	2,573
Depreciation	251,382

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Total operating expenses	1,214,341
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Net operating loss	(133,825)
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Non-operating revenue (expenses):

Taxes and assessments	246,294
Impact fees	278,447
Interest income	7,503
Amortization on bond issue costs	(10,000)
Interest expense	(50,069)

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Net non-operating revenues	472,175
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<b>NET INCOME</b>	<b>\$ 338,350</b>
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**TOWN OF BETHANY BEACH, DELAWARE**

**INCOME AND EXPENSE DETAIL**

**SANITATION FUND**

**Year Ended March 31, 2015**

**SANITATION SERVICE:**

Operating revenues:

Charges for services	\$ 818,507
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Total operating revenues	818,507
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Operating expenses:

Salaries and wages	266,055
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Payroll taxes	20,368
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Employee benefits	97,886
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Disposal fees	165,423
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Fuel	31,770
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Insurance	26,835
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Telephone	1,577
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Utilities	7,285
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Repairs and maintenance	44,960
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Office supplies	7,994
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Miscellaneous	7,692
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Depreciation	120,667
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Total operating expenses	798,512
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Net operating income	19,995
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Non-operating revenues:

Interest income	4,709
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Net non-operating revenues	4,709
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<b>NET INCOME</b>	<b>\$ 24,704</b>
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